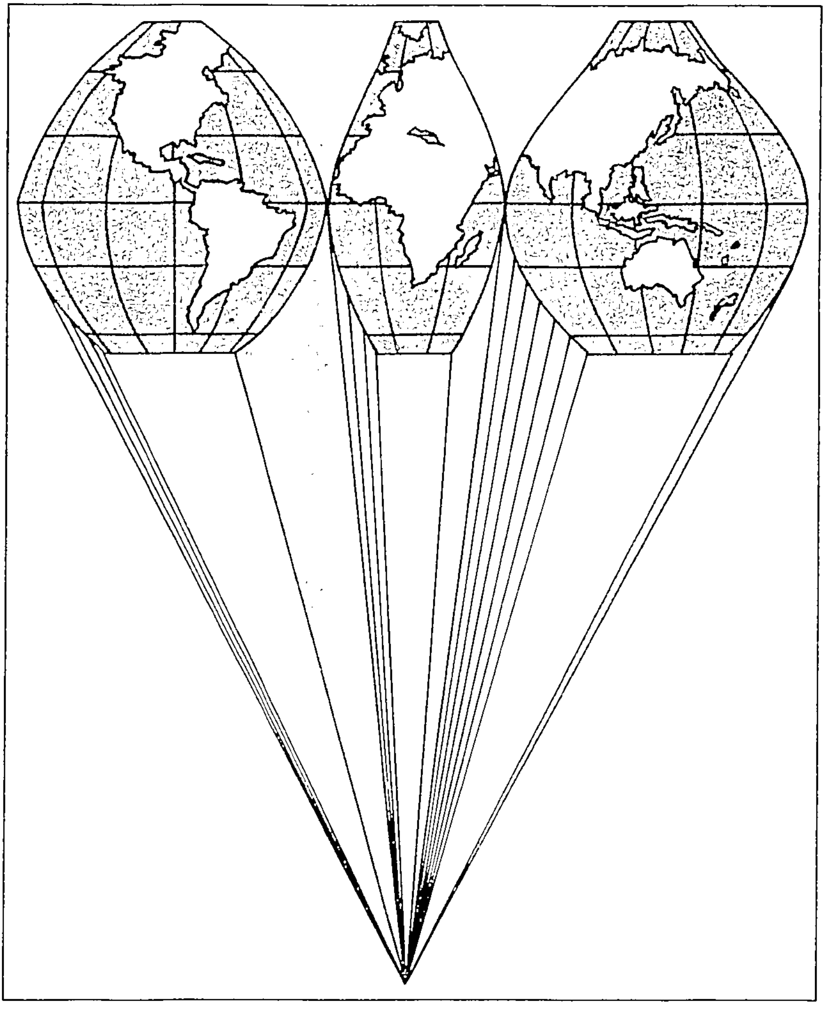
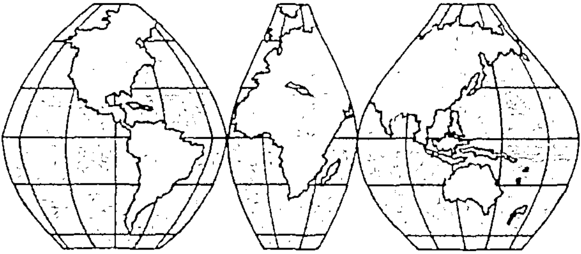
Annual Report 1976



The Coca-Cola Company



The Coca-Cola Company and Subsidiaries Annual Report for the Year 1976

Letter to Stockholders

March 2, 1977

Sales and earnings reached all-time highs in 1976. Consolidated net profit in 1976 was $284,959,120 or $4.76 per share compared with $239,304,933, or $4.00 per share in 1975, an increase of 19.1% in net income. Consolidated net sales in 1976 were $3,032,829,056, an increase of 5.6% over 1975. The dollar sales increase reflected U.S. syrup prices which were significantly lower in 1976 than in 1975 due to the pass-through of lower sugar costs.

Overall domestic syrup volume for 1976 was well ahead of 1975; and overseas, total unit sales of soft drinks were at record levels for 1976. Effects of currency changes were not significant in either 1976 or 1975. The Company's citrus and coffee businesses and its Aqua-Chem subsidiary all reported record levels of net profit for 1976.

The 1976 consolidated data does not reflect the operations of The Taylor Wine Company, Inc., which was merged into The Coca-Cola Company following a favorable vote by Taylor shareholders on January 20, 1977.

In other matters, proceedings continue in the complaint filed in 1971 by the Federal Trade Commission against The Coca-Cola Company and other soft drink companies, attacking the validity of territorial provisions in the Bottlers' contracts. In October 1975, an administrative law judge dismissed the complaint, holding that the Bottler agreements did not violate the antitrust laws. That ruling was appealed to the Commission and oral arguments were heard in 1976. In June, 1976, a U.S. District Court judge in Los Angeles ruled in favor of the Company in a case brought by Tomac, Inc. The issues were the same as those raised by the FTC's complaint and the court held that the territorial provisions in the Coca-Cola Bottlers' contracts do not violate the antitrust laws. Tomac has appealed.

A new operating structure was implemented in September, 1976, wherein the worldwide soft drink business of the Company was divided into three operating groups. The new structure provides for direct communication and operational contact between Atlanta-based headquarters management and strong decentralized operating units worldwide.

We note with deep sorrow the deaths in 1976 of two Directors: Mr. James A. Farley and Mr. John C. Cleaver. Mr. Charles W. Duncan, Jr., has resigned to accept the important appointment as Deputy Secretary of the Department of Defense of the United States. We wish him every success. As a result of these events, the Board reduced its membership accordingly.

On March 2, 1977, the Board of Directors increased the quarterly dividend rate from 66¼ cents a share to 77 cents a share. This rate is equivalent to a full-year dividend of $3.08 a share, a 16.2% increase over the aggregate 1976 dividend of $2.65. This is the fifteenth consecutive year that Directors have approved dividend increases, and we feel this trend will continue. Also on March 2, 1977, Directors voted to split the stock two-for-one. This action will be presented to stockholders for approval at the annual meeting on May 2, 1977.

A separate mailing to stockholders will contain the proxy, proxy statement and notice of annual meeting of stockholders to be held on Monday, May 2, 1977, at 10:00 A.M., Wilmington time, at the office of the Company, 100 West Tenth Street, Wilmington, Delaware.

For the Board of Directors

J. Paul Austin
Chairman

J. Lucian Smith
President

Board of Directors

William W. Allison
Atlanta, Ga.
Executive Administrator
Economic Opportunity Atlanta, Inc.

J. Paul Austin
Atlanta, Ga.
Chairman, Board of Directors, and
Chief Executive Officer
The Coca-Cola Company

C. H. Candler, Jr.
Atlanta, Ga.
Retired

Thomas H. Choate
New York, N.Y.
Retired

William A. Coolidge
Cambridge, Mass.
Retired

George S. Craft
Atlanta, Ga.
Retired

F. B. Eisenberg
Atlanta, Ga.
Executive Vice President and
Chief Financial Officer
The Coca-Cola Company

C. M. Halle
Atlanta, Ga.
President, The Coca-Cola Export Corporation
and Executive Vice President,
The Coca-Cola Company

E. Garland Herndon, Jr., M.D.
Atlanta, Ga.
Vice President for Health Affairs
Emory University

Lindsey Hopkins
Miami, Fla.
Chairman, Board of Directors, Security Trust Company

John T. Lupton
Chattanooga, Tenn.
President, Great Western Coca-Cola Bottling Company
President, Phoenix Coca-Cola Bottling Company
President, Denver Coca-Cola Bottling Company

James D. Robinson, III
New York, N.Y.
President
American Express Company

John A. Sibley
Atlanta, Ga.
Honorary Chairman, Board of Directors
Trust Company of Georgia

J. Lucian Smith
Atlanta, Ga.
President and Chief Operating Officer
The Coca-Cola Company

John R. Talley
Atlanta, Ga.
Retired

D. A. Turner
Columbus, Ga.
Chairman, Boards of Directors
Columbus Bank & Trust Co., CB&T Bancshares, Inc
and W. C. Bradley Co.

George W. Woodruff
Atlanta, Ga.
Retired

R. W. Woodruff
Atlanta, Ga.
Chairman, Finance Committee
The Coca-Cola Company

Corporate Officers

J. Paul Austin . . . . *Chairman of Board and Chief Executive Officer*
J. Lucian Smith . . . . *President and Chief Operating Officer*

Executive Vice Presidents

Charles W. Adams—*Administration*
F.B. Eisenberg—*Finance*
Roberto C. Goizueta—*Technical*
C. M. Halle—*Operations*
Ira C. Herbert—*Division President*
Donald R. Keough—*Operations*
A. E. Killeen—*Marketing*
Ian R. Wilson—*Operations*

Senior Vice Presidents

Charles S. Lord—*Staff—Finance*
J. J. McGourty—*Staff*
C. A. Shillinglaw—*Staff*

Vice Presidents

B. M. Middlebrooks—*Domestic Division Chairman*
John H. Ogden—*Domestic Division President*

Richard F. Atwood
Sam Ayoub
J. Allen Brent
R. J. Broadwater
Robert N. Chrane
Leo E. Conroy
Ovid R. Davis
Paul L. Dillingham
Richard D. Ford
John W. Georgas
M. A. Gianturco
C. H. Hodgkins
J. W. Jones
Robert A. Keller
W. Glenn Kernel
Dianne McKaig
J. William Pruett, Jr.
H. W. Schwarz
J. F. Staresinich
Albert H. Swett
H. E. Teasley
J. E. Vielehr
R. V. Waltemeyer

Albert H. Swett . . . . *General Counsel*
F. B. Eisenberg . . . . *Chief Financial Officer*
Sam Ayoub . . . . *Treasurer*
J. F. Staresinich . . . . *Controller*
Fred S. Perrin . . . . *Secretary*

Description of Business of The Coca-Cola Company

The Coca-Cola Company is engaged principally in one line of business, the manufacture and sale of beverages, including soft drink syrups and concentrates, coffee, tea, citrus juices, ades and drinks. The total sales and profits before income taxes for such products constituted more than 95 per cent of the Company's total sales and profits in 1976 and each of the three preceding fiscal years.

For over 85 years, the Company has engaged in the manufacture and sale of syrup and concentrate for Coca-Cola. While there are many other soft drinks sold in the United States and around the world, the worldwide volume sales of Coca-Cola are greater than any other soft drink.

Until 1954, Coca-Cola was available in 6½-ounce bottles and in glasses at soda fountains. Today, Coca-Cola is available in both returnable bottles and convenience packages in a wide variety of sizes.

Beginning in the mid 1950's and continuing today, new soft drink products have been developed and introduced by the Company. The Fanta brand soft drinks are available in flavors including orange, root beer, grape, strawberry, lemon-lime, orange-pineapple, cream soda and wild cherry.

Other soft drink products include TAB, Fresca, lemon-lime flavored Sprite and Mr. PiBB.

During 1974, the Company introduced sugar-free Sprite and the TAB brand of sugar-free flavors including root beer, ginger ale, black cherry, orange, lemon-lime and strawberry.

In the 1960's with the acquisition of the Minute Maid Corporation and Duncan Foods Company, The Coca-Cola Company added to its beverage line Minute Maid and Snow Crop frozen concentrated citrus juices, the Hi-C brand of fruit drinks, Maryland Club and Butternut coffee and tea, Admiration, Thomas J. Webb and Huggins Gourmet Mocha Java coffee.

In addition, the Company sells instant coffee, tea and flavored instant drinks to regional coffee companies and food store chains who purchase the products packaged for sale under their own labels.

Aqua-Chem, Inc., a wholly-owned subsidiary, was acquired in 1970. Aqua-Chem designs and manufactures water pollution control equipment, seawater desalters and packaged steam and hot water generators.

The Thomas Companies were acquired by The Coca-Cola Company through merger which was consummated on August 21, 1975, and is the last in a series of parent bottler acquisitions which began over 50 years ago.

On October 29, 1976, the Company entered into an Agreement and Plan of Merger with The Taylor Wine Company, Inc. The merger was consummated in January, 1977 and Taylor became a wholly-owned subsidiary of the Company. Taylor is a leading domestic producer of premium still wines and is the largest domestic producer of sparkling wines. Taylor's still and sparkling wines are produced and marketed exclusively under the trade names Taylor and Great Western.

	1972
Net sales	$1,876,192,397
Cost of goods sold	995,340,910
Taxes on income	172,644,000
Net profit	190,157,427
Average number of shares of common stock outstanding during year	59,699,046
Net profit per common share based upon the above shares	$3.19
Cash dividends paid per common share	$1.64

Note A:
Change to LIFO method of inventory valuation. In 1974, the Company adopted the last-in, first-out (LIFO) accounting method for certain major classes of inventories. This accounting change had the effect of reducing net profit for 1974 by $31,213,188 ($.52 a share).

Management's Discussion and Analysis

Net sales in 1976 increased by $159,989,319 or 5.6% over net sales for 1975. Unit sales of soft drinks were at record levels both domestically and overseas. The increase in dollar sales was due principally to increased unit volume of major products and to higher average selling prices for coffee products, substantially offset by lower average selling prices for soft drink syrup in the United States. Domestic syrup prices trended lower throughout 1976 due to the pass-through of lower sugar costs, almost entirely off-setting the effects of volume increases and higher selling prices for coffee and other products in the United States.

Cost of goods sold decreased by $16,862,034 or 1.0% from 1975, principally as a result of lower sugar costs which more than offset the effects of increased volume and increases in the cost of other items.

In 1976, media advertising expenditures increased by $20,442,838 or 14.2% and other promotional expenditures also increased substantially. The increase was principally due to increased levels of advertising and promotional activities. Advertising expenditures in 1976 represented a greater percentage of net sales than in 1975 as a result of increased expenditures and the effect of lower average selling prices for soft drink products.

Consolidated Summary of Operations

YEAR ENDED DECEMBER 31,			
1973	1974	1975	1976
$2,144,988,601	$2,522,149,619	$2,872,839,737	**$3,032,829,056**
1,147,939,444	1,541,687,847	1,710,376,417	**1,693,514,383**
187,057,000	168,681,000	220,911,000	**248,653,000**
214,981,215	195,972,336(A)	239,304,933	**284,959,120**
59,776,262	59,834,982	59,889,486	**59,918,801**
$3.60	$3.28(A)	$4.00	**$4.76**
$1.80	$2.08	$2.30	**$2.65**

the Summary of Operations

Other income increased principally as a result of increased interest income from marketable securities and other investments, and improvement in market prices of securities valued at the lower of cost or market.

Provision for taxes on income in 1976 increased by $27,742,000 or 12.6% over the provision for taxes on income in 1975. The increase was principally due to an increase in profit before income taxes, partially offset by a decrease of approximately $7,000,000 due to a decrease in the average effective tax rate.

Net profit increased by $45,654,187 or 19.1% over 1975, principally as a result of the factors previously discussed.

Net sales in 1975 increased by $350,690,118 or 13.9% over net sales for 1974, principally as a result of higher average selling prices and increased unit volume for major products. Domestic sales increased by $179,423,000, or 12.0% almost entirely as a result of higher average selling prices reflecting the pass-through of higher average sugar costs. Domestic syrup prices trended lower throughout 1975, reflecting lower sugar costs, while they had moved higher throughout 1974, reflecting higher sugar costs. Domestic volume was down in the first quarter of 1975 when sugar costs and syrup

prices were at the highest levels. As sugar prices declined through the year, lower wholesale and retail prices resulted and consumer demand increased. Domestic unit sales in the second quarter were slightly higher than in the second quarter of 1974 and unit sales increased significantly in the third and fourth quarters as compared to the same quarters of the prior year. Overseas, unit sales of soft drinks increased in each quarter of 1975 as compared with the same quarter of 1974. For the year as a whole, strong volume gains were recorded in most of Europe, Latin America and Africa, while Canadian volume was up slightly and Japanese volume was lower. Overseas volume during the fourth quarter was considerably ahead of 1974 fourth quarter levels in every major market, including Japan.

Cost of goods sold increased by $168,688,570 or 10.9% over cost of goods sold for 1974, principally as a result of higher average raw materials costs and increased unit volume.

In 1975, media advertising expenditures increased by $15,505,771 or 12.0% over the comparable amount for 1974 and other promotional expenses also increased substantially. Advertising and promotional expenses represented approximately the same percentage of net sales in 1975 as in 1974.

Depreciation and amortization increased by $7,038,356 or 11.8% in 1975 as compared to the prior year. The increase related principally to an increase in depreciable assets.

Provision for taxes on income in 1975 increased by $52,230,000 or 31.0% over provision for taxes on income in 1974. Approximately $44,000,000 of the increase is attributable to an increase in profit before income taxes and approximately $8,000,000 is attributable to an increase in the average effective tax rate.

The Coca-Cola Company and Subsidiaries Consolidated Statements of Profit and Loss

	YEAR ENDED DECEMBER 31,	
	1976	1975
Net sales	$3,032,829,056	$2,872,839,737
Cost of goods sold	1,693,514,383	1,710,376,417
GROSS PROFIT	1,339,314,673	1,162,463,320
Selling, administrative and general expenses	824,313,369	709,892,445
OPERATING PROFIT	515,001,304	452,570,875
Other income	47,003,324	33,132,981
	562,004,628	485,703,856
Less other deductions	28,392,508	25,487,923
PROFIT BEFORE TAXES ON INCOME	533,612,120	460,215,933
Provision for taxes on income	248,653,000	220,911,000
NET PROFIT	$ 284,959,120	$ 239,304,933
Net profit per share of common stock	$ 4.76	$ 4.00

Consolidated Statements of Earned Surplus

	YEAR ENDED DECEMBER 31,	
	1976	1975
Balance at January 1	$1,096,716,913	$ 995,164,062
Net profit for the year	284,959,120	239,304,933
	1,381,676,033	1,234,468,995
Dividends paid in cash (per share—1976, $2.65; 1975, $2.30)	158,787,031	137,752,082
BALANCE AT DECEMBER 31	$1,222,889,002	$1,096,716,913

See Notes to Consolidated Financial Statements

Assets

	DECEMBER 31, 1976	DECEMBER 31, 1975
CURRENT:		
Cash	$ **101,406,730**	$ 82,422,848
Marketable securities—at market price (cost—1976, $260,883,168; 1975, $307,954,506)	**260,465,266**	303,519,712
Trade accounts receivable (less allowance—1976, $6,984,611; 1975, $5,214,750)	**232,140,744**	184,339,395
Inventories	**355,096,000**	304,910,393
Prepaid expenses	**29,381,272**	25,454,580
TOTAL CURRENT ASSETS	**978,490,012**	900,646,928
MISCELLANEOUS INVESTMENTS AND OTHER ASSETS	**131,014,839**	100,293,625
PROPERTY, PLANT AND EQUIPMENT:		
Land and improvements	**70,973,535**	68,743,346
Buildings	**301,392,589**	270,706,773
Machinery and equipment	**633,820,757**	569,991,958
Containers	**158,905,503**	129,020,046
	1,165,092,384	1,038,462,123
Less allowance for depreciation	**466,439,975**	425,371,977
	698,652,409	613,090,146
FORMULAE, TRADE-MARKS, GOODWILL AND CONTRACT RIGHTS	**94,908,059**	96,842,067
	$1,903,065,319	$1,710,872,766

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

Liabilities

	DECEMBER 31, 1976	DECEMBER 31, 1975
CURRENT:		
Notes payable	$ 26,934,350	$ 21,909,567
Current maturities of long-term debt	5,141,698	1,723,791
Accounts payable and accrued accounts	329,015,680	266,539,348
Accrued taxes—including taxes on income	130,552,692	149,777,010
TOTAL CURRENT LIABILITIES	491,644,420	439,949,716
LONG-TERM DEBT	7,856,974	9,021,605
DEFERRED INCOME TAXES	47,048,164	32,622,722
CAPITAL STOCK AND SURPLUS:		
Common stock—no par value; authorized 70,000,000 shares; (issued 1976, 60,126,203 shares; 1975, 60,109,381 shares)	60,491,757	60,474,767
Capital surplus	88,499,715	87,451,756
Earned surplus	1,222,889,002	1,096,716,913
	1,371,880,474	1,244,643,436
Less 200,979 shares of stock held in treasury—at cost	15,364,713	15,364,713
	1,356,515,761	1,229,278,723
	$1,903,065,319	$1,710,872,766

See Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

Consolidated Statements of Changes in Financial Position

	YEAR ENDED DECEMBER 31, 1976	1975
SOURCE OF WORKING CAPITAL		
From operations:		
Net profit for year	$ 284,959,120	$ 239,304,933
Add charges not requiring outlay of working capital during the year:		
Provision for depreciation	69,073,055	65,893,007
Deferred income taxes	14,425,442	3,147,196
Other	13,700,369	21,037,057
TOTAL FROM OPERATIONS	382,157,986	329,382,193
Disposals of property, plant and equipment	15,789,321	12,462,236
Decrease in miscellaneous investments	0	4,431,118
Proceeds from exercise of stock options	840,049	4,023,261
Tax benefit from optioned shares sold	224,900	251,700
Other items, net	0	5,189,888
	399,012,256	355,740,396
APPLICATION OF WORKING CAPITAL		
Cash dividends	158,787,031	137,752,082
Additions to property, plant and equipment	182,165,067	139,928,972
Increase in miscellaneous investments	30,721,214	0
Decrease in long-term debt	1,164,631	2,013,608
Acquisition of Thomas Companies:		
Contract rights	0	35,000,000
Other	0	4,966,481
Other acquisitions—goodwill	25,933	40,000
	372,863,876	319,701,143
INCREASE IN WORKING CAPITAL	26,148,380	36,039,253
Working capital at beginning of year	460,697,212	424,657,959
WORKING CAPITAL AT END OF YEAR	$ 486,845,592	$ 460,697,212
INCREASE (DECREASE) IN WORKING CAPITAL, BY COMPONENTS		
Cash	$ 18,983,882	$ 4,146,413
Marketable securities	(43,054,446)	143,678,425
Trade accounts receivable	47,801,349	(36,594,051)
Inventories	50,185,607	(4,902,660)
Prepaid expenses	3,926,692	(2,929,198)
Notes payable	(5,024,783)	25,807,867
Current maturities of long-term debt	(3,417,907)	388,813
Accounts payable and accrued accounts	(62,476,332)	(38,139,402)
Accrued taxes—including taxes on income	19,224,318	(55,416,954)
INCREASE IN WORKING CAPITAL	$ 26,148,380	$ 36,039,253

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

1. Accounting Policies. The major accounting policies and practices followed by the Company and its subsidiaries are as follows:

The consolidated financial statements include the accounts of the Company and its wholly-owned and principal majority-owned subsidiaries. All significant inter-company accounts and transactions are eliminated in consolidation. The Company's investments, which are not material, in non-consolidated majority-owned subsidiaries and certain affiliated companies are stated at cost plus equity in the net profit or loss of these companies subsequent to date of acquisition. The Company's equity in the net profit or loss of these companies is included in the consolidated statement of profit and loss.

Prior to January 1, 1976 amounts with respect to consolidated foreign subsidiaries were translated in terms of United States dollars as follows: property accounts, investments in foreign securities, and formulae, trade-marks and goodwill were translated at rates of exchange prevailing at dates of acquisition and all other assets and liabilities at approximate rates of exchange prevailing at year-end; income and expenses were translated at weighted average rates of exchange in effect during the year except as to depreciation which was translated on the same basis as the related property accounts. Effective January 1, 1976 the Company adopted the translation method specified in Statement No. 8 of the Financial Accounting Standards Board (FASB). This change has no material effect in 1976 on the consolidated financial statements. Prior year figures have not been restated since the effect on the consolidated financial statements would not have been material.

Inventories are valued at the lower of cost or market. The last-in, first-out (LIFO) method of inventory valuation is used for sugar and other sweeteners used in domestic beverages, for certain major citrus concentrate products, and for substantially all inventories of domestic bottling subsidiaries and certain other domestic and foreign operations. All other inventories are valued on the average or first-in, first-out method. The excess of current costs over LIFO stated values amounted to approximately $11,000,000 and $22,000,000 at December 31, 1976 and December 31, 1975 respectively.

Property, plant and equipment is stated at cost, less allowance for depreciation, except that foreign subsidiaries carry bottles and shells in service at amounts (less than cost) which, in general, correspond with deposit prices obtained from customers. Depreciation expense was principally determined by the straight-line method. A portion of the depreciation determined by the straight-line method for financial statement purposes is calculated on accelerated methods for income tax purposes. Deferred income taxes are provided to recognize timing differences in reporting depreciation for accounting and tax purposes. The investment tax credit, which is not material in amount, is accounted for by the flow-through method.

Formulae, trade-marks, goodwill and contract rights are stated on the basis of cost and if purchased subsequent to October 31, 1970, are being amortized, principally on a straight-line basis, over the estimated future periods to be benefited (not exceeding 40 years).

Information relating to leases is not presented as rental expense and future lease commitments are not material.

2. Foreign Operations. The Company's investments in consolidated subsidiaries outside the United States are shown below:

	December 31, 1976	1975
Current assets	$424,238,468	$326,445,406
Property, plant and equipment—net	307,005,494	261,975,395
Other assets	93,300,332	76,252,566
	824,544,294	664,673,367
Liabilities	322,121,926	260,607,855
Net assets	$502,422,368	$404,065,512

Net sales of foreign operations were 44% of total net sales in 1976 and 42% in 1975; profits attributable to such business amounted to approximately 55% of total profits in 1976 and 57% in 1975. Exchange adjustments were not material in amount in either year.

Appropriate United States and foreign income taxes have been accrued on profits of subsidiary companies which are expected to be remitted to the Parent Company in the near future. Unremitted profits of foreign subsidiaries which are expected to be required for use in the foreign operations amounted to approximately $45,000,000 at December 31, 1976 exclusive of amounts which if remitted would result in little or no tax.

3. Acquisition of Thomas Companies. In 1975, the Company acquired Coca-Cola Bottling Co. (Thomas), Inc., Coca-Cola Bottling Works (Thomas), Inc. and Coca-Cola Bottling Works (3rd), Inc. in an exchange for cash and common stock of the Company. The principal assets of the Thomas Companies consisted of contract rights valued at $35,000,000 and 196,704 shares of common stock of The Coca-Cola Company. The acquisitions, which did not significantly affect the consolidated operations, were accounted for as purchases and the cost of the contract rights is being amortized over the expected economic life of the contract rights.

4. Acquisition of The Taylor Wine Company, Inc. On October 29, 1976, the Company entered into an Agreement and Plan of Merger under which 1,161,000 shares of common stock of The Coca-Cola Company would be exchanged for all of the outstanding common stock of The Taylor Wine Company, Inc. On January 21, 1977 The Taylor Wine Company, Inc. became a wholly-owned subsidiary of the Company. The transaction will be accounted for as a pooling of interests. Unaudited pro forma combined results of operations for the two companies for the years ended December 31, 1976 and 1975 are as follows:

	1976	1975 (A)
Net sales	$3,094,523,628	$2,932,456,351
Net profit	290,716,124	244,950,789
Average number of shares outstanding	61,079,801	61,050,486
Net profit per share	$4.76	$4.01

(A) 1975 amounts have been combined based on The Taylor Wine Company, Inc. results for their fiscal year ended June 30, 1976.

5. Stock Options. Options were held by officers and employees of the Company and its subsidiaries to purchase shares of the Company's common stock at prices ranging principally from $49.94 to $139.25 per share in 1976 and from $38.50 to $146.13 per share in 1975. Further information relating to the options is as follows:

	1976	1975
Options outstanding at January 1	453,650	539,087
Options granted during the year	62,400	145,037
Options exercised during the year	(16,822)	(56,226)
Options cancelled during the year	(11,297)	(174,248)
Options outstanding at December 31	487,931	453,650
Options exercisable at December 31	179,840	97,443
Shares available for option which may be granted	127,100	185,004

6. Pension Plans. The Company and its subsidiaries have various pension plans covering substantially all employees, including certain employees in foreign countries. Pension expense determined under various actuarial cost methods, principally aggregate level cost method, amounted to $19,134,063 in 1976 and $17,117,180 in 1975. In general, pension costs are funded when accrued. The amount of unfunded past service costs is not significant.

7. Changes in Capital during 1975 and 1976 are as follows:

	Common Stock Issued		Capital
	Shares	Amount	Surplus
Balance January 1, 1975	59,856,476	$60,219,333	$68,197,709
Stock issued in acquisition of the Thomas Companies	196,679	198,646	14,921,052
Sale of stock to employees exercising stock options	56,226	56,788	3,966,473
Tax benefit from sale of option shares by employees	—	—	251,700
Other	—	—	114,822
Balance December 31, 1975	60,109,381	60,474,767	87,451,756
Sale of stock to employees exercising stock options	16,822	16,990	823,059
Tax benefit from sale of option shares by employees	—	—	224,900
Balance December 31, 1976	60,126,203	$60,491,757	$88,499,715

8. Impact of Inflation (Unaudited). The impact of inflation on the Company's production costs in 1976 was generally less than the corresponding change in the general price level, principally due to substantial decreases in sugar costs. Historically, the Company has compensated for changes in production costs by adjusting selling prices.

Replacing items of plant and equipment with assets having equivalent productive capacity has usually required a greater capital investment than was required to purchase the assets which are being replaced. The additional capital investment principally reflects the cumulative impact of inflation on the long-lived nature of these assets.

The Company's annual report on Form 10-K (a copy of which is available to shareholders upon request) contains specific information with respect to 1976 replacement cost of inventories and productive capacity, and the approximate effect which replacement cost would have had on the computation of cost of sales and depreciation expense for the year.

9. Quarterly Results of Operations (Unaudited). The following is a tabulation of the unaudited quarterly results of operations for the year ended December 31, 1976:

	1976			
	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
Net sales	$647,162,369	$834,020,021	$828,178,899	$723,467,767
Gross profit	286,928,796	373,973,609	379,529,955	298,882,313
Net profit	57,526,970	84,236,211	82,688,313	60,507,626
Net profit per share	$.96	$1.41	$1 38	$1 01

10. Other Matters. In October 1976, the Company voluntarily disclosed discovery of certain questionable payments made in violation of the Company's strict policy that its business be conducted in accordance with high legal and ethical standards. At the same time, the Company retained outside counsel to conduct an investigation under the direction of the Finance Committee of the Board of Directors. At this date, the investigation has not been completed. Management of the Company is of the opinion that any such payments that have been made in the past have not been material and that the termination of such payments will have no material adverse effect upon the Company's business, financial position or results of operations considered as a whole.

Report of Ernst & Ernst Independent Auditors

To the Board of Directors
The Coca-Cola Company
Wilmington, Delaware

We have examined the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 1976, and December 31, 1975, and the related consolidated statements of profit and loss, earned surplus and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1976, and December 31, 1975, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Atlanta, Georgia
February 28, 1977

Ernst & Ernst

E&E

Cash Dividends

Cash dividends were paid on common shares in 1976 and 1975 as follows:

	1976	1975
First Quarter	$ .6625	$ .575
Second Quarter	.6625	.575
Third Quarter	.6625	.575
Fourth Quarter	.6625	.575
Full Year	$ 2.65	$ 2.30

Stock Market Information

The principal market in which the securities of the Company are traded is the New York Stock Exchange, Inc. All securities are common stock, no par value. The high and low prices for each quarter for the past two years are as follows:

	1976		1975	
	High	Low	High	Low
First Quarter	$ 95.25	$ 82.00	$ 81.50	$ 53.25
Second Quarter	89.00	77.625	93.50	72.75
Third Quarter	89.625	82.875	92.00	69.625
Fourth Quarter	86.25	73.375	89.75	69.875

Dividend Disbursing Agent

Trust Company Bank
Corporate Trust Department
P.O. Box 4625
Atlanta, Georgia 30302

Transfer Agents/Registrars

Trust Company Bank
Corporate Trust Department
P.O. Box 4625
Atlanta, Georgia 30302

Morgan Guaranty Trust Company of New York
Stock Transfer Department
30 West Broadway
New York, New York 10015

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The Coca-Cola Company